ECONOMIC DEVELOPMENT

Overview

Florida is one of the fastest growing states in the country. The state's population has more than doubled since 1970 to more than 15 million people, and is expected to grow to about 20 million by 2020. The number of visitors to Florida has grown from 39.9 million in 1994 to over 50 million in 1999. Tourism/recreation taxable sales alone have increased from $33.49 billion to $46.7 billion, and sales tax revenues have increased from $2 billion to nearly $3 billion during those same years.

The intense race to maintain existing market share for new industry technology, tourism, sports, and entertainment has forced Florida to rethink how it approaches economic development. When compared to the economies of other nations, Florida's economy ranks sixteenth. A positive business climate is conducive to attracting new industries, both nationally and internationally, as well as increasing the state's existing industries. One factor contributing to a positive business climate is the use of tax cuts and tax incentives to encourage business development. Other factors include workforce development efforts for the training and retraining of Florida's citizens, construction of infrastructure to attract tourists and business clients to the state, importing and exporting of goods and services, maintenance of the quality of life for the citizens of the state, and protection of the state's natural assets.

Florida has made both short-term and long-term business growth top priorities of its economic development efforts. Fulfilling the economic growth potential of both rural counties and urban communities is a goal of these initiatives. Additionally, the state has examined its own structure to determine how programs and requirements could be consolidated, eliminated, or privatized through public-private partnerships to more efficiently serve business and the needs of the state.

Three primary parts of the state's economic growth and well-being are: (1) business development and international trade; (2) tourism, sports and entertainment promotion, marketing, and development; and (3) transportation. These areas are critical as Florida's economy moves into the next century. Business development, trade, and tourism initiatives are integral to efficient transportation systems encompassing highways and shipping and transportation by air, rail, public transportation, and water.

Over the past 5 years, major legislation was passed based on a central theme of continued economic growth and addressed the elements to give Florida a positive business climate.

ENTERPRISE FLORIDA, INC.

Summary of Legislative Action Taken

In 1992, Enterprise Florida, Inc., was created as a nonprofit public-private partnership responsible for the development of Florida's economy. While not a state agency, Enterprise Florida, Inc., receives state funding matched by private contributions and is one of several public-private partnerships organizationally assigned to the Governor's office. In 1996, the

Department of Commerce was abolished and Enterprise Florida, Inc., was designated as the sole economic development entity primarily responsible for creating and retaining healthy businesses offering jobs for Florida's citizens. In 1999, the organizational structure of Enterprise Florida, Inc., was substantially streamlined.

Implementation

Enterprise Florida, Inc., markets Florida for potential business investment and assists in the retention and expansion of existing businesses. It assists in the identification and development of new economic development opportunities for job creation. Enterprise Florida, Inc., assesses Florida's competitiveness as compared to other states and incorporates the needs of minority and small businesses into its core functions of economic, international, and workforce development.

Enterprise Florida, Inc., promotes business formation, expansion, recruitment, and retention through marketing, international development and export assistance, and workforce development. Significant importance is placed on the promotion of long-term economic development of the state, market research, and the generation of foreign direct investment in Florida.

Results and Impact

Enterprise Florida, Inc., has been integral to the state's economic development strategy. Its efforts have assisted in increasing business startups in Florida's booming economy. More than 65,000 new businesses have started operations in Florida since 1994, an average of more than 13,000 per year. The state's ratio of business starts to failures is five successful businesses for each failed one. This ratio exceeds the national average of one failed attempt for each two starts. Tax receipts continue to rise at over 6 percent per year with both gross state product and personal income out-pacing the national average.

WORKFORCE DEVELOPMENT

Summary of Legislative Action Taken

In 1996, the Legislature established the state Workforce Development Board of Enterprise Florida, Inc., as the entity responsible for overseeing workforce development activities. In addition, the legislation provided for the chartering of regional workforce development boards and for the establishment of one-stop career centers that provide coordinated, customer-focused services.

As a leader in workforce development, Florida's workforce system was aligned with the requirements of federal legislation passed in 1998 changing the national policy governing job training and other workforce activities. The state's system incorporated the federal principles of better integration of services, individual empowerment, universal access, increased accountability, strong roles for local workforce partners and the private sector, state and local flexibility, and improved youth programs.

The 2000 Legislature reorganized the state and regional workforce development and welfare transition (WAGES) systems to create the Agency for Workforce Innovation. It also consolidated the current Workforce Development Board and the state WAGES Board into a private nonprofit entity called Workforce Florida, Inc., to develop workforce policy for the Agency for Workforce Innovation and regional workforce boards. The regional workforce development boards and WAGES boards are merged into regional workforce boards.

The workforce development and the unemployment compensation programs and functions in the Department of Labor and Employment Security were transferred to Workforce Florida, Inc. Also, workforce transition and support components of the WAGES program (e.g., child care, transportation, education and job training) were transferred from the Department of Children and Family Services to the Agency for Workforce Innovation to provide assistance in job retention and economic stability for persons leaving the welfare system.

Implementation

During fiscal year 2000-2001, programs affected by the reorganization will be transferred to the newly created Agency for Workforce Innovation within the Department of Management Services. The Department of Labor and Employment Security will develop plans to accomplish its revised mission based on a legislatively mandated reduction in workforce. The Agency for Workforce Innovation will contract with the Department of Revenue to provide unemployment tax collection services by January 1, 2001. The Office of Program Policy Analysis and Governmental Accountability will conduct two studies over the next 2 years relating to privatization of unemployment tax services and improved efficiency within the apprenticeship program.

Results and Impact

The 2000 reorganization enhances the relationship between the workforce development system and the business community by: identifying workforce needs of employers; linking students and other persons seeking employment with employers through the use of Internet-based technology; providing training opportunities for incumbent workers with special emphasis on small business needs; and directing resources to activities that support economic development. Placing the administration of the state's workforce development activities under a single agency is designed to make the state's workforce development efforts more effective and efficient. Increased coordination of activities and a singular focus on developing a trained workforce will make Florida a more attractive place for businesses. The ultimate result is to more adequately equip Florida's potential employees with technical or professional skills, as well as ensure adequate literacy skills, a strong work ethic and good work habits to meet the needs of Florida employers.

FLORIDA'S TAX ADVANTAGES

Summary of Legislative Action Taken

In the past 6 years, the Florida Legislature has enacted many legislative measures to lessen the tax burdens imposed on businesses in order to increase the likelihood that existing businesses in

Florida will survive, grow and prosper, that new businesses will develop in Florida, and that businesses in other states and countries will relocate to or establish a presence in Florida. One example is the legislation that was enacted in 1998 and 1999 to reduce unemployment compensation taxes. Those reductions were made in recognition of the excess tax revenue that had and was continuing to accumulate in the Unemployment Compensation Tax Trust Fund as a result of unnecessarily high tax rates being imposed on Florida businesses. That reduction of unemployment compensation taxes lowered the overhead costs of operating Florida businesses and allowed Florida businesses to operate more profitably. Other examples are the many legislative measures that have been enacted in recent years to exempt certain business transactions from the imposition of sales and use taxes.

In 1999 and 2000, legislation was enacted creating tax holidays for retail consumers. That legislation exempted the imposition of sales taxes on retail sales of clothing, wallets, or bags, including handbags, backpacks, fanny packs, and diaper bags, having a selling price of $100 or less for a certain number of days in August immediately preceding commencement of the school year for public schools in Florida.

In 2000, the Florida Legislature also enacted legislation that reduced the taxes imposed on intangible personal property from 1.5 mills to 1 mill and exempted the value of accounts receivable from imposition of any intangible personal property tax.

Results and Impact

Florida's business climate has improved over the course of the past few years allowing businesses to be more productive, reinvest in themselves, and enhance the state's healthy economy. As a result, state revenues have been sufficient to allow the largest tax cuts in history over the past two legislative sessions: $945 million in 1999, and $455 million in 2000.

TOURISM PROMOTION & MARKETING: FLORIDA COMMISSION ON TOURISM AND VISIT FLORIDA

Summary of Legislative Action Taken

In 1996, the Department of Commerce was dismantled and the responsibilities for domestic and international promotion and marketing of tourism for Florida were transferred to the newly created public-private partnership composed of the Florida Commission on Tourism (Commission) and a not-for-profit corporation known as the Florida Tourism Industry Marketing Corporation (FTIMC). The Commission is authorized to adopt policies governing tourism. FTIMC is charged with the responsibility for implementing the policies adopted by the Commission by marketing the state in accord with the Commission's 4-year marketing plan. By December 31, 1996, the Commission contracted with FTIMC to perform those functions. The law that made these changes authorized adoption of the marketing plan to give the partnership the ability to make its own decisions. With the following caveats, the plan had to include: an emergency response component; a requirement that the private sector reach a targeted one-to-one match of private to public contributions within four calendar years; a plan to address Florida's Official Welcome Centers being transferred from the Department of Transportation to FTIMC within 3 years to complete the privatization of all state tourism efforts and staff; and, performance standards and measurable outcomes. The law authorized FTIMC to adopt an incentive plan to boost private contributions, a membership plan for private participation in the corporation, and a plan for strategic alliances. The reporting of measurable outcomes included quarterly business reports with release of state funds tied to realization of certain objectives; legislative review of the marketing plan, the partnership contract, and standards and outcomes; and legislative performance reviews in 2000 and 2003 to determine continued state funding.

A Commission advisory committee was required to develop a plan by December 1997 for promotion and protection of all of Florida's tourism assets, including nature-based and heritage. In 1999, the law was amended to specify elements for calculating the one-to-one match, clarify Commission staffing, reestablish the advisory committee, require the marketing plan to include nature-based and heritage tourism components, and transfer the Welcome Centers Office.

Implementation

By January 1, 1997, transition to a public-private partnership was finalized. The Commission signed a contract with the Governor's Office of Tourism, Trade, and Economic Development. FTIMC had been incorporated, a contract signed, offices set up, staff hired, and the first marketing plan had been submitted for review.

Since then, FTIMC has been doing business as VISIT FLORIDA. The logo *FLAUSA* was licensed for exclusive use by VISIT FLORIDA in its advertising programs. Products such as tee shirts, beach bags, hats, cups, disposable cameras, etc., are sold through licensed vendors. Strategic alliances have been formed with airline, rental car, telephone card, charge card, and bottled water companies to become the official representatives to bear the *FLAUSA* logo. Money from product sales and use of the designation are used to meet the private sector match and fund marketing efforts. VISIT FLORIDA solicits businesses of all sizes to become partners. For a fee, it will in return provide market information, assistance in information distribution, etc.

VISIT FLORIDA instituted a toll-free telephone line for visitors to call for travel information. Visitor guides have been published in several languages and are distributed worldwide. Web pages have been developed specifically for visitors, businesses, partners, and journalists with linkages to local county tourist and business web pages and state agency and other partnership web pages. Marketing and promotion is handled by employees in the VISIT FLORIDA main office and by staff strategically located throughout the state and the country. The strategic plan was developed addressing state visitation after natural disasters or emergencies.

In December 1997, the Ecotourism/Heritage Tourism Advisory Committee presented its plan to protect and promote the state's natural, heritage, and other assets. The plan and activities of the advisory committees brought about the following: an ecotourism/heritage tourism committee with over 300 volunteers and a rural task force in VISIT FLORIDA; an office in VISIT FLORIDA dedicated to the marketing, promotion and research of those areas; an inventory of the state's natural and heritage/cultural assets built from the local level; a variety of publications on these assets; research projects dedicated to these tourism areas; grants to counties for inventory collection and advertising; marketing and packaging workshops and a "how-to" manual for counties; and dedication of $150,000 for assistance in developing and implementing a marketing program for five pilot projects in rural counties with limited or no tourist tax funding.

Results and Impact

Florida's partnership structure has become a model for other states for improving funding and flexibility to meet changing market demands. The structure has allowed the partnership to react quickly to business changes and natural disasters, and not be hampered by government red tape. The partnership has exceeded the required one-to-one private to public match. Florida has grown from a $14 million tourism program in 1995 to a program valued at $54.8 million in June 1999, of which $22 million is state dollars. VISIT FLORIDA partners have grown from 70 in 1996-1997 to 2424 in 1999-2000, generating over $2 million in fees.

Nature-based and heritage tourism marketing and promotion are receiving more attention. Florida is the first state to compile a comprehensive inventory of these resources. VISIT FLORIDA has dedicated almost $3 million to support nature-based and heritage tourism efforts.

The partnership has consistently met the statutorily mandated, performance-based budgeting, and contract requirements. Fulfillment of the requirement to add nature-based and heritage tourism to the marketing plan is in the process of being realized. In the 2000 Legislative Session, the Office of Program Policy Analysis and Government Accountability recommended that return on investment measures be developed and used to determine the cost-effectiveness of the tourism partnership. The research office of VISIT FLORIDA is now developing measures.

TRANSPORTATION: TRANSPORTATION FUNDING & MOBILITY 2000

Summary of Legislative Action Taken

The 2000 Legislature addressed Florida's transportation infrastructure needs by passing major transportation legislation that included increased transportation dollars to fund five new transportation programs. These programs included the Mobility 2000 initiative, the State Infrastructure Bank, the Transportation Outreach Program, the County Incentive Grant Program, and the Small County Outreach Program.

Transportation Funding

Over $2.5 billion of additional transportation funding was provided over a 10-year period without raising taxes. For many years, a portion (7.3%) of gas tax collections and motor vehicle fees has been diverted from transportation projects to other general needs of the state. For example, the General Revenue Fund service charge for various state gas tax collections totaled more than $100 million in fiscal year 1998-99 and was used for a number of non-transportation purposes. Modifications to law provided for a portion of these diversions from various taxes and fees that have a direct nexus with transportation to be deposited to the State Transportation Trust Fund to fund state and local transportation needs. Approximately $2 billion of these diverted transportation user taxes will provide a majority of the additional transportation funding over a 10-year period.

Additionally, $605 million of direct General Revenue funds generated from the state's growing economy are to be appropriated over 3 years and invested in transportation facilities.

Federal law allows states to borrow against future year apportionments of federal funds for the payment of debt service on bonds issued to fund federal-aid transportation projects. In 1999, the Legislature authorized a bond program for Federal Aid Highway Construction that allows for a pledge of up to 10 percent of the state's future federal-aid allocations as payment for debt service with a maximum term of 12 years. A total of $325 million of Grant Anticipation Revenue Vehicle (GARVEE) bonds should be issued between 2005-2007 to help fund Mobility 2000 projects. These bonds will be paid with future federal transportation funds, which will commit about 3 percent of future federal funds for bond repayment.

Mobility 2000 Initiative

The transportation initiative known as Mobility 2000 advances over $4 billion of major transportation improvements to the Florida Intrastate Highway System (FIHS) planned over 20 years to be advanced from 1 to 10 years. The FIHS is important to Florida's economy because major economic activity is located along this network of roads providing connections to regional and interstate markets.

State Infrastructure Bank (SIB)

An infrastructure bank was designed to be a self-sustaining revolving loan fund. An infrastructure bank can be capitalized with state or federal funds, and can make loans and provide credit enhancement assistance to public and private entities. The Department of Transportation (DOT) currently has a federally funded infrastructure bank, but the uses of these funds are limited to projects that meet federal standards. Federal law authorized four pilot states to establish infrastructure bank programs, including Florida, California, Rhode Island, and Missouri. Florida's federally funded infrastructure bank has awarded loans totaling $140 million that supports over $500 million in total project costs.

The Legislature provided for a state-funded SIB with initial capitalization of the bank at $150 million over 3 years. This loan program will provide for loans, credit enhancements and other forms of financial assistance to public and private entities for transportation projects on the state highway system or that relieve congestion on the state highway system. This program will provide more flexibility in project selection and financial management than is available under the federally funded infrastructure bank program and can provide a mechanism to significantly increase the state's ability to meet unfunded transportation needs. The use of SIB financial assistance has the potential to leverage at least $500 million and perhaps as much as $1 billion in additional transportation projects over a 10-year period.

Transportation Outreach Program

A Transportation Outreach Program (TOP) was established, including a dedicated funding source of approximately $1 billion over a 10-year period, to fund transportation projects of a high priority. Projects will be identified and prioritized by the TOP Advisory Council that is made up of representatives of private or public interests appointed by the Governor, Speaker of the House of Representatives and the President of the Senate. The Council will annually submit to the Legislature its recommendations for projects to be funded.

Eligible projects include major highway improvements; major public transportation projects; and projects that facilitate retention and expansion of military installations or that facilitate reuse and development of any military base designated for closure by the Federal government.

County Incentive Grant Program

The County Incentive Grant Program was created to provide matching grants to counties to improve transportation facilities located on the State Highway System or that relieve congestion on the State Highway System. Funding of approximately $490 million over a 10-year period is provided for this program.

Small County Outreach Program

The Small County Outreach Program is a matching grant program created to assist small county governments (populations of 150,000 or less) in resurfacing or reconstructing county roads or in constructing capacity or safety improvements to county roads. Approximately $122 million over a 10-year period is provided for this program.

Implementation

The Department of Transportation (DOT) is in the process of implementing the programs created by the 2000 Legislature. For example, DOT has already sent requests to counties eligible for the Small County Outreach Program to submit candidate projects for the program. Some of the programs will require DOT's to adopt rules for implementation. Over the interim, Transportation Committee staff will be actively monitoring the department's implementation efforts, and will make recommendations for legislative changes as necessary.

Results and Impact

These programs are the most significant transportation initiatives that have passed in the last 10 years and will provide needed resources to help meet Florida's transportation infrastructure requirements. These additional resources will target transportation projects that facilitate economic growth and enhance economic competitiveness in Florida. The additional resources provided by the 2000 Legislature combined with existing transportation funding provide for transportation improvements valued at over $6 billion.

FLORIDA SEAPORT TRANSPORTATION & ECONOMIC DEVELOPMENT PROGRAM

Summary of Legislative Action Taken

The Florida Seaport Transportation and Economic Development (FSTED) Program was created within DOT to finance port transportation and seaport facility projects to improve the movement and intermodal transportation of cargo and passengers in commerce and trade in Florida. By law, a minimum of $8 million annually is allocated to fund approved seaport projects on a 50-50 matching basis. Over the past 4 years the Legislature has allocated an additional $25 million annually to finance revenue bonds totaling $375 million to fund seaport and intermodal access projects on a match basis.

Implementation

Florida's seaports have been successful in forming a multi-faceted partnership with DOT and other state entities to invest in major capital improvements. The FSTED Council, along with DOT and the Governor's Office of Tourism, Trade and Economic Development, review and approve each project proposed for funding under the FSTED Program. In performing this approval process, the FSTED Council uses criteria for evaluating the economic benefit of the project, which is measured by increased cargo flow, cruise passenger movement, international commerce, port revenues, and jobs for the port's local community.

Results and Impact

As trade facilitators, Florida's seaports are the key to the state's fast growing international trade industry. This trade (two-thirds of which flowed through the state's seaports) reached $64 billion in 1997 and is estimated to double by the year 2005 to $130 billion. Seaport Program funds, along with matching funds, have resulted in nearly $1 billion being invested in seaport projects. Under the program, economic development opportunities have increased and jobs have been created in local communities statewide. These investments build a seaport system that is dynamic and responsive to the state's global trading partners.

TRANSPORTATION CONTRACT ADMINISTRATION

Summary of Legislative Action Taken

In November 1995, a House Transportation Committee study showed that DOT construction projects were taking longer and costing more to complete than originally provided in the contract documents. In response, the 1996 Legislature authorized DOT to use innovative techniques for highway construction and finance that were intended to control time and cost increases on construction projects. Such techniques included: 1) time-plus-money contracts which allow DOT to consider the time to complete a project when awarding construction contracts; 2) design-build contracts which combine the design and construction phases of projects into a single contract; 3) no-excuse bonus contracts which reward a contractor for early completion of a contract without allowing time-extensions; and, 4) incentive/disincentive contracts which provide incentive payments for early completion of the contract and which increase penalties for failure to complete the project within the contract time allowed.

Implementation

DOT has applied a number of these innovative concepts in transportation project contracts. For example, in the past fiscal year 26 projects were let to contract using the cost-plus-time bidding method and 12 projects were let to contract using the no-excuse bonus method. DOT is documenting the types of projects and under what circumstances these techniques can best be used, either alone or in combination with other innovative practices.

Results and Impact

DOT is evaluating the impact of innovative contracting techniques. Because of the long duration of transportation construction contracts (some are even multi-year) documentation of benefits from using these techniques will take time. Anecdotal results indicate that use of these techniques have benefited the traveling public and the affected community by reducing time and disruption associated with road building projects.